

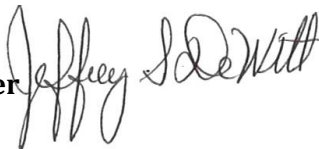
Government of the District of Columbia
Office of the Chief Financial Officer



Jeffrey S. DeWitt
Chief Financial Officer

MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Jeffrey S. DeWitt
Chief Financial Officer 

DATE: November 25, 2014

SUBJECT: Fiscal Impact Statement – “McMillan – Residential Townhomes Parcel Disposition Approval Resolution of 2014”

REFERENCE: Proposed Resolution 20-1082, As Introduced

Conclusion

Funds are not sufficient in FY 2015 through FY 2018 budget and financial plan to implement the resolution.

The resolution approves the disposition and the associated Land Disposition Agreement (LDA) negotiated by the Deputy Mayor for Planning and Economic Development (DMPED).¹ The LDA outlines the obligations both the developer, Vision McMillan Partners, LLC (“Developer”), and the District must meet, before the District can transfer the property to the Developer. Under the terms of this LDA, and the two related LDAs² also under Council consideration, the District’s obligation is to fully implement the planned development as conceived in this LDA, including the provision of infrastructure improvements and public amenities.³ The estimated cost for these obligations is \$78 million. Currently, approximately \$45 million is budgeted for the project in the six-year District Capital Improvement Plan (CIP) through FY 2016. This means there is an estimated \$33 million project shortfall between expected project costs and funding in the approved budget and financial plan.

¹ A Term Sheet outlining the key elements of the LDA was signed by both DMPED and the Developer and is dated October 2, 2014.

² The Council is considering three LDAs under three separate resolutions, but all are part of the same McMillan development project, with exact same terms. The first LDA is related to townhome parcels, and is what is under consideration in this resolution. The second is related to multi-family residential parcels, and is what is under consideration in PR 20-1083. The third is related to the commercial development parcels and is what under consideration in PR 20-1084.

³ Current estimates in a document titled “McMillan Redevelopment Annual Sources & Uses” provided by DMPED to the Office of Revenue Analysis on November 19, 2014.

Once the disposition is completed, the District is expected to sell the property to the Developer for an estimated \$27 million. However, the exact selling price will depend on market rates at the time of sale. The project contemplates the use of these funds to support the District's obligations. However, under current law, any proceeds from the sale would revert to the General Fund and would not automatically be dedicated to this development.

Additionally, the disposition of this property will reduce District real property assets by approximately \$38,653,701.⁴ However, this will have no direct fiscal impact on the District's budget and financial plan because assets are not included in the budget and financial plan.

Background

The resolution approves the disposition of a portion⁵ of the District-owned property located at 2501 1st Street, N.W., commonly known as the McMillan Sand Filtration Site, and known for tax and assessment purposes as Lot 800 in Square 3128 ("Property"). The resolution authorizes conveyance of the Property to the Developer to construct the residential townhomes on the Property, per conditions set forth in the residential townhome LDA.

Financial Plan Impact

Funds are not sufficient in FY 2015 through FY 2018 budget and financial plan to implement the resolution.

There is an estimated \$33 million project shortfall between expected project costs and funding in the approved budget and financial plan. Once the disposition is completed, the District is expected to sell the property to the Developer for an estimated \$27 million. However, the exact selling price will depend on market rates at the time of sale. Under current law, any proceeds from the sale would revert to the General Fund and would not automatically be dedicated to this development. The District must amend its laws to ensure that the proceeds are used toward the support of District's obligations under the LDA. If this were to be done, the District would be required to identify an additional \$6 million in its Capital Improvement Plan to fully fund the project.

Additionally, the disposition of this property will reduce District real property assets by approximately \$38,653,701. However, this will have no direct fiscal impact on the District's budget and financial plan because assets are not included in the budget and financial plan.

⁴ FY 2015 Proposed Taxable Assessed Value according to OTR's Real Property Tax Database, accessed October 16, 2014. <https://www.taxpayerservicecenter.com>.

⁵ The residential townhome LDA constitutes approximately 250,000 square feet, or roughly 41 percent of the Property.